

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6399**

**BILL NUMBER:** SB 106

**NOTE PREPARED:** Mar 14, 2006

**BILL AMENDED:** Mar 13, 2006

**SUBJECT:** Tax on Recreational Vehicles and Cargo Trailers.

**FIRST AUTHOR:** Sen. Young R Michael

**FIRST SPONSOR:** Rep. Walorski

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides that a cargo trailer or recreational vehicle (RV) purchased by a resident of another state or country is exempt from Indiana Sales Tax if it is to be registered in a state or country that provides a Sales Tax exemption for cargo trailers or RVs purchased by Indiana residents for registration in Indiana. The bill also provides that a cargo trailer or RV purchased by a nonresident is subject to Indiana Sales Tax if it is to be registered in a state or country that does not provide a Sales Tax exemption for cargo trailers or RVs purchased by Indiana residents for registration in Indiana. This bill deletes the requirement that a nonresident purchaser provide, and the seller keep on file, a copy of the purchaser's registration or title from outside Indiana. The bill specifies that the form for the affidavit submitted by the purchaser must include an affirmation by the purchaser under the penalties for perjury that the information contained in the affidavit is true.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:** This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

**Explanation of State Revenues:** This bill exempts sales of RVs and cargo trailers to nonresident purchasers who take the RV or trailer out of state within 30 days and register it in another state which has a reciprocal drive-away exemption. These provisions will decrease Sales Tax collections between \$3.3 M and \$7.2 M annually.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

*Background Information:* North Carolina, South Carolina, Florida, and Massachusetts do not provide a drive-away exemption to any non-resident purchasers. Illinois does not provide a drive-away exemption to Indiana purchasers. Therefore, under the bill, Indiana Sales Tax collections from residents of these states will either increase or not change. Under current law, Indiana now charges the non-resident purchaser the same rate of Sales Tax as the purchaser would pay in their home state, up to a maximum of 6%. Illinois and Florida have rates equal to 6% or above, so the Sales Tax collected on purchases by these non-residents will not change. North Carolina, South Carolina, and Massachusetts all have rates lower than 6%, so Sales Tax collections will increase on purchases by these non-residents. Sales Tax revenue will be reduced from purchasers from all other states.

P.L. 81-2004 repealed a Sales Tax exemption for motor vehicles, watercraft, trailers, and aircraft purchased in Indiana and registered out of state. P.L. 195-2005 (SEA 213-2005), effective July 1, 2005, reestablished the aircraft exemption and a partial exemption for cargo trailers and RVs. The partial exemption, which is current law, allows an exemption equal to the difference between Indiana's 6% Sales Tax rate and the rate of the purchaser's home state. The result is that under current law, a non-resident purchaser pays Sales Tax to Indiana at a rate equal to the rate they would have paid had they made the purchase in their home state.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Adam Brown, 317-232-9854.